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BUSINESS

THE GAZETTE | MONTREAL | THURSDAY, NOVEMBER 13, 2003 | SECTION EDITOR: ROSS TEAGUE | 514 987 2512 | rteague@thegazette.canwest.com

EX-JITEC CEO LAUNCHES $117-MILLION LAWSUIT AGAINST QSC, B3

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Dollar's growth could persist

JAY BRYAN
OPINION ON SOARING LOONIE

"The surge seems connected to growing worry about the U.S."

If it were all about Canada, the dollar's remarkable rise – touching a 10-year high yesterday just above 77 cents – would suggest the Canadian economy is an irresistible force. In fact, that isn't quite the case.

The surge in the loonie over several days does reflect unexpected strength in Canadian economic growth, most recently evidenced in two key areas: employment and housing construction.

But it seems to be even more connected to a rising tide of worry about the U.S. that is washing over the big global investors who used to pour investment funds into that country. The latest thing to worry about is the massive projected cost of the U.S. effort in Iraq, with the stunning degree of violence deployed by anti-American forces leaving little reason for optimism that conditions will improve.

Against this backdrop, the greenback is weakening everywhere. Yesterday it hit a six-year low against Australia's dollar, a five-year low against the British pound and was near a three-year low against Japan's yen.

Please see BRYAN, Page B2

Loonie reaches 10-year high

BREACHES 77-CENT BARRIER BEFORE FALLING

But surge in currency is a major concern as it threatens to depress Canadian exports

ERIC BEAUCHESNE
CANWEST NEWS SERVICE

OTTAWA – The soaring Canadian dollar briefly breached the 77-cents (U.S.) level yesterday for the first time in a decade, propelled by investor disenchantment with the sinking U.S. greenback and the improving outlook for the Canadian economy.

However, the further surge in the currency, which some analysts say could be worth more than 80 cents U.S. before the year is out, doesn't bode well for the Canadian economy, threatening to depress exports and the earnings of Canadian producers whose products are priced in U.S. dollars.

The dollar reached 77.04 cents U.S., its highest level in 10 years, leaving the U.S. dollar worth just under 1.30 Canadian, before easing back to 76.68 cents. The closing level, however, was still more than half a cent higher than its close of 76.17 cents Tuesday.

The strong dollar's impact on the economy is the Bank of Canada's major concern, RBC economist David Wolf said.

However, Wolf noted the strong dollar's depressing impact on exports and earnings is being offset somewhat because it has dampened inflation and allowed the Bank of Canada to keep interest rates lower than they would have been, which is boosting spending by Canadians.

The Canadian dollar's resurgence follows news of surprisingly strong job growth last month and further evidence of a strong housing market. Those indicators have reduced odds the Bank of Canada will cut rates further this year, leaving official rates here nearly two full percentage points above those in the U.S.

"So long as the economic data at home and abroad continue to improve, the Bank of Canada will not cut rates again," Wolf said, adding that's the most likely scenario. "Nor do we see the Bank of Canada inclined to raise rates any time soon."

However, according to a rule of thumb used by the Bank of Canada, the impact of the more than 20-per-cent increase in the value of the dollar this year is equivalent to a seven percentage point hike in interest rates.

Economists at CIBC World Markets estimate the stronger dollar will cut economic growth next year by two percentage points unless the central bank cuts interest rates significantly.

Gateway to innovation

GORDON BECK THE GAZETTE

Marc Poulin, president of Camions Millenium, demonstrates the auto-door closing feature of his ergonomically designed "Millenium" delivery truck at the Quebec exports and manufacturing show at Palais des congrès.

Fund to dump Gildan shares

QFL's Solidarity will unload stock over Honduras controversy

DON MACDONALD
THE GAZETTE

The giant Solidarity Fund will sell off its block of shares worth about $90 million in **Gildan Activewear Inc.** over allegations the company fired dozens of workers for trying to unionize a plant in Honduras.

The Solidarity Fund, which is affiliated with the Quebec Federation of Labour, said it will gradually liquidate its 2.5 million Gildan subordinate voting shares "at opportune times." As well, the fund's representative on Gildan's board of directors has resigned.

"These decisions stem from a fundamental disagreement between the fund and Gildan with respect to employees who were fired last year in Honduras," the fund said in a statement made public yesterday. "The fund believes that Gildan hindered the workers' right to association recognized in Honduras, an opinion not shared by Gildan."

Gildan reiterated yesterday its position that it didn't fire workers in Honduras for trying to organize a union. It maintained its operations set a high standard of social responsibility, offering an "ethical and stimulating work environment" that conforms to all local legislation.

Vice-president Stéphane Lemay said the workers at its sewing facility in El Progreso, Honduras, were part of a group of 200 employees laid off in November 2002 for reasons related to the business cycle.

Last February, the Solidarity Fund, which has $4.6 billion in assets, threatened to unload its stake in Gildan if it substantiated allegations the company had fired 38 workers for trying to organize a union in El Progreso.

Please see GILDAN, Page B2

INSIDE

GM aims to win over Quebecers

General Motors rolled into town yesterday hoping to sell its new line of smaller, affordable cars in a market that has proven tough for the auto manufacturer. Page B3

TODAY'S AGENDA

In Toronto, **Canadian Pacific Railway** chief executive Rob Ritchie speaks at a breakfast meeting at the **Toronto Board of Trade.**
Statistics Canada reports on manufacturing.
The **Canadian Apartment Properties Real Estate Investment Trust** holds conference call to discuss its latest quarterly results.
InvEst Real Estate Investment Trust, which holds Canada's largest hotel portfolio, issues third-quarter earnings.
The **U.S. Labour Department** reports on producer prices and the **Commerce Department** reports on retail sales for October.
The **U.S. Federal Reserve** reports on industrial production for October.
Bridges.com Inc., annual shareholders meeting, 1 p.m., Kelowna, B.C.

Exhibitors hope two-day show ignites Quebec's export market

VALUE OF GOODS SOLD ABROAD IN DECLINE

Association launches 3-prong strategy during forum at the Palais des congrès

SHEILA McGOVERN
THE GAZETTE

After 10 years of repairing delivery vans and listening to drivers complain about their vehicles, Marc Poulin concluded there had to be a better way to build the things.

So he invested four years of his life and about $1 million to come up with a van that is easier to maintain and more comfortable to use. Now he needs someone to back his vision. Poulin is among more than 100 exhibitors taking part in a special two-day show and forum designed to invigorate Quebec's sluggish export market.

The total value of Quebec's exports slid to $66 billion in 2002 from $74 billion in 2000, said Claude Tardif, vice-president of the Quebec Manufacturers & Exporters, which represents a variety of businesses in the export trade and is sponsoring the show. Every $1 billion gained or lost affects 11,000 jobs, he said, and with the Canadian dollar gaining strength, making Quebec goods more expensive abroad, he's not very optimistic about the near future.

So the association has launched a three-prong strategy to promote innovation, best business practices and networking – all of which come together at the forum. It's the association's first event of this kind.

About 107 exhibitors have taken over the Palais des congrès, promoting everything from new software programs to improved yogurt to breakthrough medical devices – to Poulin's truck.

At the same time, the association is running forums on topics such as hedging against currency fluctuations, using electronic documents to ensure the necessary information arrives in port before your ship does, and dealing with the tighter U.S. security rules for cross-border shipments.

And it's promoting networking – getting to know, share information or team up with – other partners in Quebec or elsewhere. The show has attracted delegations from China, France, Lithuania, Germany, Belgium, the Netherlands, North Africa, Malaysia and the U.S.

It was the opportunity to network and seek out potential partners that brought Poulin to the show.

Please see EXPORTERS, Page B2

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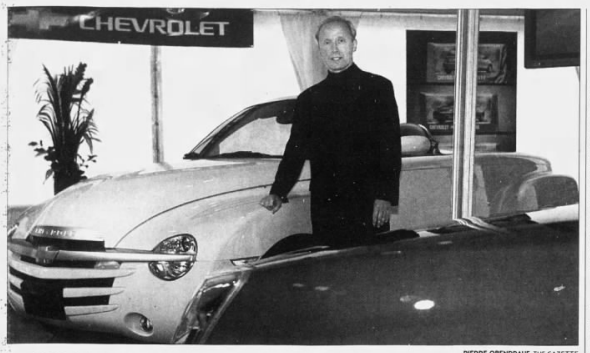

PIERRE OBENDRAUF THE GAZETTE
Steve O'Reilly, Quebec Zone Manager for GM Canada, thinks company's new line of smaller cars will help boost sales in this province.

General Motors targets Quebec

STAKES BET ON SMALL, AFFORDABLE CARS

Launches all-out advertising campaign in effort to grab larger share of market

MARY LAMEY
THE GAZETTE

General Motors rolled into town yesterday hoping to sell Quebecers on its new line of smaller, affordable cars.

GM controls 28 per cent of the Canadian car market, but only 20.9 per cent of the market in Quebec. It wants to close that gap and has launched an all-out marketing campaign to get its message across.

"Smaller cars make up about 30 per cent of the market in the rest of Canada, but they account for 80 per cent of the sales in Quebec," said Steve O'Reilly, GM's Quebec sales director. "We think we have a good chance to boost our sales here. We've got price, design and styling."

The company sold about 58,000 cars in Quebec and is aiming to boost that number by 12,000 vehicles in 2004. That would increase its market penetration of 25 per cent, O'Reilly said.

The company is staking its bet on four vehicles: the Aveo, a sporty hatchback geared to the entry-level buyer, the Epica, a mid-sized sedan currently only available in Canada, the Optra, a sporty sedan and the redesigned Chevy Malibu.

GM also unveiled its Colorado pickup truck and the SSR, which combines the functionality of a pickup truck with the style of an open-air roadster. The pickup bed has a retractable hardtop. The vehicles are in showrooms now.

Quebecers have a love affair with Japanese cars, a choice motivated by price, styling and maybe just a touch of anti-American sentiment, automotive consultant Dennis DesRosiers said.

"Quebec has always been a difficult market for GM," DesRosiers said. "They haven't had the right product mix. This new line is their attempt to address that. The Aveo, in particular, should do well."

Suggested manufacturer's retail prices start at $13,000 for the Aveo and range up to $69,000 for the SSR, O'Reilly said. Dealers may offer incentives and financing.

GM staged its rollout of the line in the rest of Canada, but, with the input of **Cossette Communications**, decided to launch all six at once. The strategy is to create buzz and name-brand recognition, said Suzanne Sauvage, president of Cossette Montreal.

Between now and Dec. 4, consumers will be hard-pressed to miss the Chevy message. The company will be bombarding radio in Montreal and Quebec City with two to three messages per hour, has bought 700 billboards, newspaper ads in all the major dailies, TV spots on seven networks and an Internet campaign.

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MONTREAL BRIEFS

Higher revenues hand Van Houtte $4-million profit

The **Van Houtte** coffee-services company reported sharply higher profits for its latest quarter as the company benefited from higher revenues, western expansion and didn't take any writeoffs as it did the previous year. The Montreal company said yesterday it earned $4 million, or 19 cents a share, for the 12 weeks ended Oct. 11. That compared with profits of $903,000, or 4 cents a share, for the year-earlier period.

United licenses Ad Opt software

Ad Opt Technologies Inc. of Montreal said it has licensed its roster-and-scheduling software to **United Airlines.** The value of the agreement wasn't provided. Ad Opt, which provides workforce planning, scheduling and management products, said its altitude-preferential bidding system will generate flight schedules for 7,000 United pilots to help the airline cut costs and improve flexibility.

Horizon Air order gets downgraded

Horizon Air of Seattle has downgraded its order of two Bombardier regional jets to two turboprops. Bombardier said Horizon Air has ordered two additional 70-seat Bombardier Q400 turboprop airliners, which will increase its fleet to 17, of which 15 have been delivered.

EARTH dips

Shares in **EARTH (Canada) Corp.,** whose technology separates oil and water in energy projects, fell sharply after the company reported its first-quarter loss deepened as revenue fell 15 per cent. EARTH, short for Environmental Applied Research Technology House, lost $460,419, or one cent per share, for the three months ended Sept. 30, compared with a loss of $229,481, or one cent a share, for the corresponding period in 2002.

Selling Montreal

Montréal International is leaving on a four-day mission Nov. 17 to California to promote the Montreal region's expertise in biotech, software and gaming businesses. The delegation is headed by Georges Bossé, member of Montreal's executive committee responsible for economic development.

Campbell shines

Campbell Resources Inc. turned a profit in its third quarter, helped by higher gold prices and increased production. Campbell reported earnings of $600,000 for the three months ended Sept. 30, compared with a loss of $2.9 million a year ago.

Claude rebounds

Claude Resources Inc. said high gold prices helped to offset the impact of a weaker U.S. dollar as the firm posted a third-quarter profit of $1 million. Earnings for the quarter ended Sept. 30 amounted with 2 cents a share and compared with a loss of $200,000, or zero cents per share ,a year earlier, the Montreal-based company reported.

CGI renews deal

CGI Group Inc. announced yesterday the renewal of a multimillion-dollar, three-year information-technology outsourcing contract with **Ipsco Inc.** of Regina. CGI will continue to operate the steel producer's mainframe systems from CGI's data centre in Regina. CGI also provides a call centre and personnel to support Ipsco's 2,200 employees at 13 locations.

THE GAZETTE, BLOOMBERG NEWS, CANADIAN PRESS

Ex-Jitec CEO launches $117-million lawsuit against QSC

Alleges watchdog was abusive and reckless in investigating his trades in company stock

NICOLAS VAN PRAET
THE GAZETTE

A controversial high-tech entrepreneur has launched the biggest lawsuit ever against the Quebec Securities Commission.

Benoit Laliberté, the 31-year-old former chief executive of **Jitec Inc.,** is seeking $117 million in a suit that alleges the watchdog was abusive and reckless when it investigated his trades in company stock three years ago.

The court action dwarfs all other suits brought against the securities commission. The next largest suit was $1 million, a QSC official said.

Laliberté was trading stock in now-bankrupt Jitec while he was top boss of the company through transactions he allegedly sometimes failed to report. The securities commission investigated his trading activities and plans on reporting its findings by Christmas.

Court documents filed by Laliberté's lawyers this week allege the QSC was being manipulated by well-known Westmount businessman Herbert Black. They allege Black wanted to taint Jitec because he was looking to pocket millions of dollars by short-selling the company's stock.

Short-selling is a risky tactic whereby an investor borrows a stock, sells it, buys it back later at a lower price, and pockets the difference. The bet is the stock price will go down.

"The QSC has acted beyond its mandate for an improper purpose in order to assist Black to achieve an illegal and improper goal which consisted of attempting to destroy the value of the publicly traded shares of Jitec such that Black was able to continue short selling of the stock in Jitec," the documents allege.

"Black was using the policing powers of this investigative body in order to 'get an enemy,' " the filings allege.

Reached yesterday, Black said he brought Jitec's activities to the QSC's attention not to bring down the stock and profit from it, but because he was considering investing and questioned the company's legitimacy. Jitec sold stripped-down computers to small and medium-size businesses.

"I think it's a frivolous lawsuit," Black said.

The QSC declined to comment on the suit, saying it is still reviewing it.

"We're looking at it now. We're going to evaluate our options," said commission spokesperson Barbara Timmins.

None of Laliberté's allegations have been proven in court.

Laliberté alleges negative newspaper coverage about the commission's investigation into his stock trading, particularly reports by The Gazette, fuelled the downward spiral of his once high-flying Jitec shares and forced his resignation from the company. The QSC told Laliberté to cease trading Nov. 10, 2000.

Laliberté's suit alleges Black fed The Gazette information "in order to create a nervous reaction of investors in Jitec." It also claims Black "unduly influenced" two QSC officials.

The suit mentions the QSC fired Paul Trudeau, the lead investigator into Jitec, after he confessed to taking a $1,000 gift from Black in December 2000.

Black said yesterday he never gave money to Trudeau.

"I never gave him a gift. I never gave him any money. I bought drinks. It was near Christmas. We had a few drinks. I don't even remember how many, but they definitely weren't worth $1,000."

Trudeau is still contesting his dismissal.

Laliberté was charged in July, along with eight others, for participating in what police described as a loan-sharking ring that was lending money to businesspeople. He has proclaimed his innocence in court.

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